

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Joint Application of California Water Service Company and Grand Oaks Water Company to transfer ownership of the assets of Grand Oaks Water Company to California Water Service Company under Certain Terms and Conditions and to transfer the Certificate of Public Convenience and Necessity to provide water service to the name of California Water Service Company.

Application 05-12-012  
(Filed December 12, 2005)

**JOINT RULING OF ASSIGNED COMMISSIONER AND ADMINISTRATIVE  
LAW JUDGE RESPONDING TO APRIL 20, 2006, STATUS UPDATE**

**Summary**

The Division of Ratepayer Advocates (DRA) reports in its April 20, 2006, Status Update (attached) that the Golden Hills Community Services District (GHCS D) may be interested in acquiring the Grand Oaks Water Company (Grand Oaks), provided certain conditions are met. We welcome GHCS D's interest for several reasons.

First, GHCS D is immediately adjacent to Grand Oaks and appears well-situated to acquire that system. GHCS D already serves about 2,700 customers, while Grand Oaks serves only about 40.

Second, DRA has opposed acquisition of Grand Oaks by California Water Service Company (Cal Water) under the ratemaking conditions proposed by Cal Water. DRA has sought and received permission from the Commission and

from the joint applicants in this proceeding to look for alternative acquirers. GHCSO may be an appropriate alternative.

Third, Cal Water itself is a reluctant acquirer. Its own facilities are some 50 miles away from Grand Oaks, and it has been operating Grand Oaks only as an accommodation after the now-deceased active owner proved unwilling or unable to operate the system in compliance with applicable standards.

By this ruling, we endorse GHCSO's plan for further exploring its potential acquisition of Grand Oaks, and we modify our schedule to provide time for the feasibility studies and meetings as described by Mike Sides, GHCSO's Assistant General Manager.

## **Discussion**

The Status Update shows that GHCSO, DRA, and Cal Water have begun a methodical process well designed to enable a logical determination of what is best for Grand Oaks and its ratepayers (including the preference of Grand Oaks ratepayers), as well as the interests of GHCSO.

Briefly, the GHCSO Board of Directors, at its March 16, 2006 meeting, took comments from GHCSO and Grand Oaks customers. The board also discussed GHCSO current system capabilities, the poor condition of the Grand Oaks system including the lack of adequate fire protection and resultant threat to Golden Hills residents, potential cost impacts to Grand Oaks customers to provide new water mains and tank storage, and potential annexation requirements.

The next step in the process outlined in the Status Update is to provide Grand Oaks ratepayers with a side-by-side comparison of the cost of needed infrastructure upgrades depending on whether Cal Water or GHCSO performs the upgrades. Cal Water is developing rough engineering cost estimates and the

corresponding impacts using Cal Water's ratemaking methodology. GHCSO will then prepare its own estimate and corresponding rate impacts. GHCSO has scheduled a public meeting for June 22, 2006, at 6 p.m. in Tehachapi, where this information can be discussed and representatives of GHCSO, Cal Water, and DRA can answer customer questions.

There are several additional steps before a possible GHCSO acquisition of Grand Oaks. These steps include a vote of Grand Oaks customers and completion of GHCSO's due diligence. GHCSO projects six months to complete these steps and reach a final decision. On behalf of GHCSO, Mike Sides asks us to adjust our schedule to accommodate GHCSO.

In his ruling of March 21, 2006, the assigned Administrative Law Judge (ALJ) said he would be reluctant to allow DRA time beyond June 2 to look for an alternative acquirer. It is clear, however, that DRA has found in GHCSO an alternative acquirer that is undertaking a serious and active consideration of acquisition. Under the circumstances, the ALJ's conditions for extension of time are easily met. However, DRA shall continue to provide us with status updates whenever there are significant developments.

Mr. Sides also asks that we provide Commission representatives to answer customer questions at a local public meeting. We understand DRA will attend the Tehachapi meeting; in addition, the assigned ALJ will attend if GHCSO believes that would be helpful. GHCSO may communicate its invitation directly to the assigned ALJ by telephone [415-703-2437] or e-mail [kot@cpuc.ca.gov].

Finally, we strongly endorse the steps being taken for the affected community to make the ultimate decision about its preferred service provider. This Commission has a legal obligation to ensure that water service is, among other things, safe, adequate, reliable, and reasonably priced. Water service to

Grand Oaks customers is to some degree uncertain, both because of the small size and limited resources of Grand Oaks, and because of the current unsatisfactory ownership situation. It appears, however, that either GHCSO or Cal Water could resolve these uncertainties. We are very pleased that this proceeding seems to be progressing well to that end, and we encourage GHCSO, DRA, and the joint applicants to continue with their cooperative efforts.

**IT IS SO RULED.**

Dated May 11, 2006, at San Francisco, California.

/s/ JOHN A. BOHN

John A. Bohn  
Assigned Commissioner

/s/ STEVEN KOTZ

Steven Kotz  
Assigned Administrative  
Law Judge

**CERTIFICATE OF SERVICE**

I certify that I have by mail this day served a true copy of the original attached Joint Ruling of Assigned Commissioner and Administrative Law Judge Responding to April 20, 2006, Status Update on all parties of record in this proceeding or their attorneys of record.

Dated May 11, 2006, at San Francisco, California.

/s/ ELVIRA NIZ

Elvira Niz

**N O T I C E**

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